



Isle Royale National Park

ISRO002-08 Solicitation Site Visit

August 28-30, 2007

Midwest Region Concessions



Anything discussed during the Site Visit is not an official part of the record, and verbal comments made are the opinions of individuals present and not of the National Park Service.

You cannot rely on any verbal representations but must review the entire Prospectus instead.

Please submit all questions in writing prior to the question deadline in the Prospectus for a response.

If anything in this presentation or mentioned in the oral discussion conflicts with the Prospectus, the Prospectus will control.



SEC. 403. AWARD OF CONCESSIONS CONTRACTS.

(1) **COMPETITIVE SELECTION PROCESS.**—Except as otherwise provided in this section, all proposed concessions contracts shall be awarded by the Secretary to the person, corporation, or other entity submitting the best proposal, as determined by the Secretary through a competitive selection process. Such competitive process shall include simplified procedures for small, individually-owned, concessions contracts.

(2) **SOLICITATION OF PROPOSALS.**—Except as otherwise provided in this section, prior to awarding a new concessions contract (including renewals or extensions of existing concessions contracts) the Secretary shall publicly solicit proposals for the concessions contract and, in connection with such solicitation, the Secretary shall prepare a prospectus and shall publish notice of its availability at least once in local or national newspapers or trade publications, and/or the Commerce Business Daily, as appropriate, and shall make the prospectus available upon request to all interested parties.



Required Services for the Draft Contract

Lodging	<ul style="list-style-type: none"> •Rock Harbor Lodge rooms, suites, and cottages •Rock Harbor Historic Guest House rooms •Rustic cabins or similar accommodations at Rock Harbor
Food and Beverage	<ul style="list-style-type: none"> •Dining room at Rock Harbor Lodge •Snack bar at Rock Harbor •Food and beverages at Windigo •Food and beverages on the <i>Ranger III</i>
Retail	<ul style="list-style-type: none"> •Gift shop at Rock Harbor Lodge •Convenience items at Rock Harbor Stores and Windigo Store •Souvenirs at Rock Harbor Stores and Windigo Store
Marina	<ul style="list-style-type: none"> •Sale of gas and diesel at Rock Harbor •Sale of gas at Windigo •Boat rentals at Rock Harbor and Windigo •Fishing charters from Rock Harbor •On-call water shuttle service from Rock Harbor •Holding tank pump-out at Rock Harbor and Windigo •Scheduled inter-island water tours
Showers& Laundry	<ul style="list-style-type: none"> •Shower and laundry facilities at Rock Harbor and Windigo
Vending Machine and Ice Sales	<ul style="list-style-type: none"> •Vending machine and ice sales at Rock Harbor and Windigo



Authorized Services for the Draft Contract

Lodging	<ul style="list-style-type: none">• Rustic cabins or similar accommodations at Windigo*
Gear Rental	<ul style="list-style-type: none">• Back country gear rental at Rock Harbor and Windigo

**Rustic accommodations at Windigo are contingent upon the Service constructing the necessary facilities.*



Service changes from existing concession contract

Required Service	Existing Contract	Draft Contract
Lodging	<ul style="list-style-type: none"> •Rock Harbor Lodge rooms and cottages 	<ul style="list-style-type: none"> •Rock Harbor Lodge rooms, suites, and cottages •Rock Harbor Historic Guest House rooms •Rustic cabins or similar accommodations at Rock Harbor
Food and Beverage	<ul style="list-style-type: none"> •Dining at Rock Harbor Lodge •Snack bar at Rock Harbor Lodge •Food and beverages at Windigo •Food and beverages on the <i>Ranger III</i> 	<ul style="list-style-type: none"> •No Changes
Retail	<ul style="list-style-type: none"> •Gift shop at Rock Harbor Lodge •Convenience items at Rock Harbor Store and Windigo Store •Souvenirs at Rock Harbor Store and Windigo Store 	<ul style="list-style-type: none"> •No Changes •Convenience items at Rock Harbor Stores and Windigo Store •Souvenirs at Rock Harbor Stores and Windigo Store
Marina	<ul style="list-style-type: none"> •Sale of gas and diesel at Rock Harbor •Sale of gas at Windigo •Boat rentals at Rock Harbor and Windigo •Fishing charters from Rock Harbor •On-call water taxi service at Rock Harbor •Holding tank pump-out at Rock Harbor and Windigo •Scheduled inter-island water tours from Rock Harbor 	<ul style="list-style-type: none"> •No Changes •On-call water shuttle service from Rock Harbor •No Changes
Showers and Laundry	<ul style="list-style-type: none"> •Shower and laundry facilities at Rock Harbor and Windigo 	<ul style="list-style-type: none"> •No Changes
Vending and Ice	<ul style="list-style-type: none"> •Vending machine and ice sales at Rock Harbor and Windigo 	<ul style="list-style-type: none"> •No Changes



Employee Services

The Draft Contract also requires that the Concessioner provide housing, on-site food service, and employee recreation programs for its seasonal workforce.



Total Revenues

2002	2003	2004	2005	2006
\$1,013,077	\$918,947	\$1,002,503	\$1,093,407	\$1,195,279

2006 Revenue Breakout by Department

Department	Share
Lodging	44%
Food and Beverage	20%
Souvenirs	12%
General Merchandise	8%
Marina	14%
Other	2%
Total	100%

Source: Existing Concessioner's Annual Financial Reports



- **1.5% Facility Maintenance Expense**

Under the Draft Contract the Concessioner will be required to expend a minimum of 1.5% of gross receipts (as defined in the Draft Contract) on, preventive, cyclic, repair activities, normally reoccurring within a seven year timeframe

- **1.5% Repair and Maintenance Reserve**

Under the Draft Contract the Concessioner will be required to set aside and expend a minimum of 1.5% of gross receipts (as defined in the Draft Contract) on real property component renewal and replacement, normally occurring on a greater than seven year timeframe



The minimum franchise fee under the Draft Contract is **1.5** percent of annual gross receipts.

Investment Requirements



Leasehold Surrender Interest associated with real property	\$0
Existing Concessioner-Owned Personal Property Range	\$300,000-\$330,000
Total	\$300,000-\$330,000

The Service intends for no Possessory Interest acquisition associated with the Draft Contract, however this is subject to a final agreement with the Existing Concessioner.

These ranges represent estimates and are provided in 2007 year of expenditure dollars.

Sec 12(a) (i) the Concessioner will sell and transfer to the successor designated by the Secretary its possessory interest in Concessioner and Government Improvements, if any, as defined under this contract, and all other property of the Concessioner used or held for use in connection with such operations; and (ii) the Secretary will require such successor, as a condition to the granting of a contract to operate, to purchase from the Concessioner such possessory interests, if any, and such other property, and to pay the Concessioner the fair value thereof.

The fair value of merchandise and supplies shall be replacement cost including transportation. The fair value of equipment shall be replacement cost less depreciation and obsolescence. If the Concessioner and the successor, excepting Government agencies, cannot agree upon the fair value of any item or items, either party may serve a request for arbitration upon the other party, and the fair value of the item or items in question shall be determined by the majority vote of a board of three arbitrators,

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- **Regulation** – Prices and fees for goods and services at Isle Royale are regulated, making them more predictable and less likely to vary over time.
- **Monopoly** – Services provided on Isle Royale have very limited competition because there is only one concession operator and provider for all visitor services described in the Draft Contract within the Park. (There are multiple concessioners in the Park, but they do not provide the services described in the Draft Contract.) There is, however, competition in the surrounding geographical regions and, therefore, increased marketing efforts and consumer awareness could benefit the concession operations by increasing visitation and visitor use.
- **Utilities and Fuel** – The cost of utilities (electricity, water, and sewage) and fuel (gasoline and propane) are higher on Isle Royale than in the surrounding areas due to the additional cost of transporting these goods to the island, the costs of producing electricity, water and sewer, and the lack of infrastructure in the Park.
- **Solid Waste Operations** – Concession operations and guest services will include a high level of emphasis and standards for removing and recycling post-consumer materials. These operations have the potential to increase operating expenses.



- ***Remoteness, Supply, and Logistical Issues*** – The number of locally available contractors, suppliers, and human resources is very limited for services in the Park. As a result, the Concessioner must either recruit firms from outside the area, incurring additional costs for housing, transportation, etc., or undertake services internally that might otherwise be outsourced. There are restrictions on pets. Telephone and internet connectivity are limited, which reduces employees' ability to communicate with people outside of the Park. Accessing personal services (e.g., hair cuts and dentist visits) requires one to two days travel time. Vehicles are limited to a few gas and battery powered vehicles. Any additional vehicles would require Service approval.
- ***Seasonality Risks*** – The operating season for Isle Royale is only approximately five months long, peaking in July and August and thereby limiting the window for earning revenues and increasing the risk of not achieving profitable business operations. Seasonality increases the need to sustain highly functioning operations and visitation during on- and off-peak visitation times to maximize total revenues.
- ***Natural Risks*** – Natural risks, such as uncertainty of weather and water conditions on Lake Superior, create an increased risk of cancelled or disrupted visits to the Park, thereby creating an increased level of uncertainty in incoming revenue streams.



- The Service provides water and sewer service to the Concessioner on a cost reimbursable basis.
- The Park approves a utility “pass through” to offset utility rates charged by the Service to the Concessioner for the provision of water, sewer and electrical services.
- The Concessioner must also pay a fuel transportation bill for transport of gasoline, diesel, and propane to the Park on the Park’s Tug & Barge. In 2006 the total gas transportation cost to the Existing Concessioner was \$27,195, at a cost of \$0.9065 per gallon. The transportation cost per gallon in 2007 is \$0.4685.

Concessioner-Used Utilities (2006)

Utility	Annual Cost
Electricity	\$49,893
Water	\$122,287
Sewage	\$100,341
Total	\$272,521



The National Park Service may fund and implement several improvements to the Concession Facilities during the course of the Draft Contract, subject to available funds and compliance with applicable law. The Service will consult with the Concessioner regarding these projects prior to undertaking them and prior to potential disruption to assigned facilities and operations. Examples include the following at Rock Harbor:

- Renovate all lodge rooms – wood paneling over cinder block interior walls.
- Build 10 foot decks with privacy partitions outside of lodge rooms.
- Convert and renovate eight lodge rooms into four upscale suites.
- Convert and renovate six lodge rooms into two cottages.
- Create lower-cost and group accommodation facilities by renovating the Historic Guest House.
- Construct and/or renovate approximately five rustic cabins or similar accommodations.
- Renovate the dining facility.

Estimated Concessioner Expenses and Revenues



Required Concessioner Personal Property

Project (Year of Implementation)	Concessioner Personal Property Investment Estimate	Concessioner Additional Annual Revenues Estimate
Renovate 14 Rock Harbor Lodge rooms into 4 suites and 2 cottages (2009-2010)	\$222,363	\$97,388*
5 Rustic accommodations at Rock Harbor (2009)	\$19,406	\$31,535*
Remodel Rock Harbor dining room (2009)	\$30,909	\$46,486
Renovate 16 rooms in the Historic Guest House (2011)	\$61,541	\$124,656**
Upgrade Rock Harbor Lodge rooms (at rate of 7 per year, 2012-2017)	\$27,778 per 7 rooms	\$11,543 per 7 rooms
Upgrade Motel Decks to 10' depth with privacy partitions	\$0	\$0

Source: National Park Service

Note: Figures are rounded to thousands (\$000) and are in 2006 dollars; more details below.

**Indicates additional revenues resulting from new/additional lodging alternative and income.*

***Indicates additional revenues resulting from increased occupancy resulting from improvements made to existing accommodations.*



ANTICIPATED

- **PSF 1: CONSERVING AND PRESERVING RESOURCES (0-5 Points)**
 - Concession Facilities
 - Preservation of structures and landscapes
 - Conducting preventive maintenance
 - Wilderness Characters and Values
- **PSF 2: PROVIDING VISITOR SERVICES (0-5 Points)**
 - Price and Quality of Visitor Services
 - Improving the Diversity of Dining Opportunities
 - Staffing of Dining Services
- **PSF 3: EXPERIENCE AND RELATED BACKGROUND (0-5 Points)**
 - Management and organization
 - High quality, skilled and motivated staff recruitment and retention
 - Notice of Violations
- **PSF 4: FINANCIAL CAPABILITY (0-5 Points)**
 - Proven track record
 - Viable proposal
 - Funding
- **PSF 5: FEE (0-4 Points)**

SSF 1: Environmental Management (0-3 Points)

SSF 2: Diversity and Number of Visitors (0-2 Points)

SSF3: Central, Computerized Reservation System (0-1 Point)

30 Points Possible

Key Dates



At this time, dates are PROJECTED only, and subject to change.
Please consult final published prospectus inside cover.

SITE VISIT: Tuesday, 8/28/2007

PROSPECTUS ISSUED: TBD (possibly late fall, 2007)

QUESTIONS DUE: TBD

PROPOSALS DUE: TBD

Questions and proposals must be **received** by the National Park Service
no later than 4:00 P.M on the applicable due date and addressed to:

**National Park Service
Midwest Region
Concessions Management
Ms. Sandy Poole
Concessions Program Manager
601 Riverfront Drive
Omaha, Nebraska 68102
(402) 661-1748**

Thank You



- Thank you for your attendance.
- We look forward to your proposal.